

**FINANCIAL OVERSIGHT AND MANAGEMENT BOARD
FOR PUERTO RICO**



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BY ELECTRONIC MAIL

May 17, 2019

The Honorable Ricardo A. Rosselló Nevares
Governor of Puerto Rico

The Honorable Thomas Rivera Schatz
President of the Senate of Puerto Rico

The Honorable Carlos J. Méndez Núñez
Speaker of the House of Representatives of Puerto Rico

Dear Governor Rosselló Nevares, President Rivera Schatz, and Speaker Méndez Núñez:

I write in response to the Legislature's recent passage of Senate Bill 1258 (the "Bill"), which concerns the municipalities' obligations under Act No. 106-2017, "Act to Guarantee the Payment of Pension Benefits to our Retirees and to Establish a New Defined Contribution Plan for Public Employees" and Act No. 72-1993, "Puerto Rico Health Insurance Administration Act." The Bill exempts municipalities from paying their obligations to ASES and PayGo pension obligation for their retirees, without identifying an alternate source of funding, thereby implying that the Commonwealth's General Fund will subsidize this expense.

Prudent fiscal responsibility and discipline are critical elements of the Certified Fiscal Plan. This is especially true when it comes to ensuring the Government has sufficient funds to pay for pensions and healthcare. Based on our preliminary review of the Bill, the Oversight Board estimates the potential fiscal impact to be approximately \$311 million for FY20 and \$1.7 billion over the next five fiscal years (FY20-FY24). This would make the Bill not compliant with the Certified Fiscal Plan, which includes municipalities' full payment of their obligations to ASES and PayGo. Nonetheless, should the Governor sign the Bill into law, the Oversight Board looks forward to receiving within 7 business days the formal cost estimate and certification of compliance pursuant to Section 204(a).

Sincerely,

Natalie A. Jaresko

CC Raúl Maldonado Gautier
Christian Sobrino Vega